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Viewing cable 07PORTAUPRINCE78, GOH ON PETROCARIBE: STOKING THE FIRES

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Reference ID	Created	Released	Classification	Origin
07PORTAUPRINCE78	2007-01-18 13:59	2011-08-30 01:44	CONFIDENTIAL	Embassy Port Au Prince

Appears in these articles:
http://www.haitiliberte.com
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C O N F I D E N T I A L SECTION 01 OF 02 PORT AU PRINCE 000078

SIPDIS

SENSITIVE
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STATE FOR WHA/CAR
WHA/EPSC FOR FAITH CORNEILLE, ED MARTINEZ
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EB/IFD
STATE PASS TO USAID FOR LAC/CAR
TREASURY FOR JEFFREY LEVINE
COMMERCE FOR SCOTT SMITH

E.O. 12958: DECL: 01/18/2017
TAGS: ENRG EPET ECON EAID HA
SUBJECT: GOH ON PETROCARIBE: STOKING THE FIRES

REF: A. 06 PORT AU PRINCE 1618
¶B. PORT AU PRINCE 55
¶C. 06 PORT AU PRINCE 846
¶D. 06 PORT AU PRINCE 2418
¶E. 06 PORT AU PRINCE 1905
¶F. 06 PORT AU PRINCE 1960

PORT AU PR 00000078 001.2 OF 002

Classified By: Charge d'Affaires Thomas C. Tighe for reasons 1.4 (b) and (d).

¶1. (C) Summary: Michel Lecorps, the newly-appointed head of the independent monetization office (formally known as the PL-480 office), met with Poloff January 10 to discuss Petrocaribe implementation in Haiti. Lecorps, apparently infuriated by Chevron's lack of cooperation with the GoH, stressed that Petrocaribe is no longer negotiable; it has been ratified by parliament (ref A) and the GoH is working to implement the agreement early this year. Chevron country manager Patryck Peru Dumesnil confirmed his company's anti-Petrocaribe position and said that ExxonMobil, the only other U.S. oil company operating in Haiti, has told the GoH that it will not import Petrocaribe products. Lecorps and separately, President Preval's economic advisor, Gabriel Verret, outlined problems Haiti was likely to have with the agreement, such as the usage of a national company (like Jamaica's national refinery, Petrojam) to control Petrocaribe Verret speculated that Venezuela (BRV) wanted its beneficiary countries to have a national company so that the BRV could eventually buy into it, as it reportedly plans to do with Petrojam. Verret also discussed lessons he and Lecorps learned in Jamaica January 3 -7 (ref B), notably that it is important to separate the "commercial from the political" aspects of the Petrocaribe plan. End summary.

¶2. (U) Lecorps said the GoH struggled to find a home office for Petrocaribe At the BRV's suggestion, the GoH tried to shift the responsibility to the national electricity company (EDH, ref C) to meet the agreement's initial requirements. Lecorps said that the GoH would like to run Petrocaribe through a national company, but, without a suitable one or the capacity to create one, the GoH gave Lecorps' office the Petrocaribe program. Haiti and Venezuela have not agreed upon the specifics of the Petrocaribe plan, but Lecorps said that Venezuela will most likely accept Haiti's plan to control Petrocaribe through his office.

Chevron says "No" to Petrocaribe

¶3. (C) Lecorps said that the GoH solicited the input and participation of the four oil companies operating in Haiti -- Chevron (operates as Texaco), ExxonMobil (operates as Esso), Total and Dynasa -- but that "one company" refused to move forward with the discussions because "their representatives would rather import their own petroleum products." (Note: In a separate meeting with the Ambassador, Chevron representatives outlined the problems posed by Petrocaribe (ref D). Poloff later confirmed with Chevron's country manager Patryck Peru Dumesnil that Chevron is the company to which Lecorps referred, but Dumesnil said that ExxonMobil has made it clear that it will not cooperate with the current GoH proposal either. Post is uncertain why Lecorps mentioned Chevron as the only company not cooperating. End note.) Lecorps was enraged that "an oil company which controls only 30 percent of Haiti's petroleum products" would have the audacity to try and elude an agreement that would benefit the

Haitian population. Ultimately Lecorps defended his position with the argument that the companies should want what is best for their local consumer, and be willing to make concessions to the GoH to this end. Lecorps stressed that the GoH would not be held hostage to "capitalist attitudes" toward Petrocaribe and that if the GoH could not find a compromise with certain oil companies, the companies may have to leave Haiti.

¶4. (C) Verret confirmed that Chevron is not buying into the agreement (but said nothing about ExxonMobil), and thought that perhaps the GoH could work out a deal, whereby Chevron imports its petroleum from an independent source while

maintaining its shared shipment with the other oil companies. (Note: Currently, Chevron manages the shipping for the four oil companies, which share a tanker to import one petroleum shipment every two to three weeks. Total oil demand in Haiti is around 11,000 barrels per day. With the limited storage available in Haiti, the companies could not afford to ship separately to Haiti. End note.)

¶5. (C) According to Dumesnil, ExxonMobil and Chevron have told the GoH that neither company can work within the GoH's proposed framework to import 100 percent of petroleum products via Petrocaribe (ref E and F). (Note: Together, ExxonMobil and Chevron supply 49 percent of all oil products in Haiti. End note.) Of the four companies, Dumesnil said, there are three levels of discussion with the GoH: the U.S. companies stand together in opposition to the current proposal; Total is discussing the agreement but has not promised cooperation; and the only local company, Dynasa, has pledged cooperation. Dumesnil said that the GoH is moving too quickly with the agreement, that it has not presented a written plan, and most importantly, does not have full industry cooperation.

Lack of Storage, No Refinery Limits Haiti's Leverage
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¶6. (C) Lecorps outlined some obstacles the GoH faces with implementation, the greatest being the lack of storage space in Haiti. Recalling the run on fuel at the pump for two days in late November and again in late December, Lecorps said that one of the biggest challenges will be ensuring consistent shipments, because Haiti does not have the capacity to store reserves. Lecorps also admitted that the GoH had very little knowledge of industry operations in Haiti and that it would need industry cooperation for the know-how, as much as for the infrastructure.

¶7. (C) Verret told Poloff that Haiti would like to model Jamaica's shipping agreement with Venezuela, which stipulates that Jamaica can choose whether to have the petroleum shipped by Venezuela or an independent carrier. According to Verret, Jamaican officials told the Haitians that 90 percent of the time Jamaica imports its own crude oil, because "shipping is not BRV's forte." Verret said that Haiti will seek a "free on board (FOB) plus" agreement by which Venezuela will take care of the shipping unless Haiti finds a better deal. Verret noted, however, that though this works in Jamaica, Haiti does not have Jamaica's advantages of extra storage space and a national refinery, which means regular and timely shipments of refined fuel are necessary (Haiti can not order in advance or wait for good deals).

¶8. (C) Comment: Both Lecorps and Verret, like other Haitian officials on Petrocaribe focused primarily on the cost benefits (estimated to be USD 100 million per year) to the GoH, which would be used for social projects like schools and hospitals, per Verret. However, Lecorps' self-control wavered while discussing industry cooperation and other modalities of implementation. He seemed overwhelmed by -- yet extremely proud of -- his new responsibility, and was incapable of addressing minor complications. Often, instead

of addressing the specifics, Lecorps reiterated that Petrocaribe will work for Haiti, be well-run, and create enormous benefits for the country: but his insistence was such that he seemed to be trying to convince himself as much as anyone else. End comment.
TIGHE

=======================CABLE ENDS============================